



CONTENTS

| | |
|--------------------------------------|----|
| Highlights | 1 |
| Directors and Officers | 3 |
| Directors' Report to Shareholders | 4 |
| Finance | 6 |
| Financial Statements | 7 |
| Auditor's Report | 13 |
| Ten-year Review | 14 |
| Operations | 16 |
| Divisions, Subsidiaries and Products | 28 |

Annual Meeting:

The fifty-sixth annual general meeting of Shareholders will be held in Salon Viger, Château Champlain Hotel, Montreal, Quebec, on Wednesday, April 5, 1972, at 11:00 a.m.

Si vous préférez recevoir ce rapport annuel en français, prière d'en aviser le secrétaire de Canron Limitée, 1121 Place Ville Marie, Montreal 113, Qué.

Head Office:

1121 Place Ville Marie,
Montreal 113, Que.

Transfer Agents:

Montreal Trust Company, Montreal,
Toronto, Halifax, Winnipeg, Vancouver.

Registrar:

The Royal Trust Company, Montreal,
Toronto, Halifax, Winnipeg, Vancouver.

HIGHLIGHTS

| | 1971 | 1970 | Increase (Decrease) |
|--|-----------|-----------|------------------------|
| (Thousands of dollars) | | | |
| Sales | \$205,248 | \$176,698 | 16.2% |
| Net Earnings | \$ 4,220 | \$ 2,533 | 66.6% |
| Capital Expenditures | \$ 2,877 | \$ 2,767 | 4.0% |
| Depreciation | \$ 4,371 | \$ 4,134 | 5.7% |
| Shareholders' Equity | \$ 40,942 | \$ 39,400 | 3.9% |
| Bank Advances and Long-Term Debt | \$ 47,177 | \$ 53,343 | (11.6%) |
| Working Capital | \$ 24,464 | \$ 23,795 | 2.8% |
| (Dollars) | | | |
| Earnings per Common Share | \$ 1.66 | \$ 0.98 | 69.4% |
| Cash Flow per Common Share | \$ 3.52 | \$ 2.75 | 28.0% |
| Dividends per Common Share | \$ 1.00 | \$ 1.00 | — |
| Book Value per Common Share | \$15.71 | \$15.05 | 4.4% |
| Net Earnings as % of Sales | 2.1% | 1.4% | 50.0% |
| Net Earnings as % of Common Shareholders' Equity | 10.6% | 6.5% | 63.1% |

CANRON — PAST AND PRESENT

CANRON LIMITED is a multi-national Canadian owned and managed manufacturing company employing over 6,000 people and operating 28 plants in five countries. Initially its main products were iron castings and iron pipe. Today the company manufactures and markets a broad range of capital goods. Products and services include gray iron and alloy iron foundry castings, machinery and equipment for heavy industry, valves, electric motors and generators, railway track maintenance equipment, and iron, concrete and plastic pipe; fabrication and erection of structural steel; and representation through a sales agency for manufacturers of industrial materials, supplies and equipment.

CANRON traces its ancestry back more than a century to the Radnor Iron Works, which was established in 1854 near Trois-Rivières, Quebec. Here, cast iron wheels were poured for the first railroad cars to run between Quebec City and Montreal. In 1889, Radnor was acquired by Canada Iron Furnace Company Limited, the predecessor of the Canada Iron Corporation, which was reorganized in 1915 as Canada Iron Foundries, Limited. The company was known by this name for more than 50 years until growth, diversification and international expansion led to the adoption of the CANRON name in 1968.

Between 1915 and 1930 the company's activities centered around foundry operations producing castings and iron pipe. In the early thirties, CANRON entered the concrete pipe market and in the mid-forties acquired a sales and distribution agency.

The first half of the fifties marked its entry into the fields of electrical products and railway track maintenance equipment. The company began fabrication and erection of structural steel in the latter half of the same decade. In 1965 it entered the plastic pipe and fittings market.

Operations in the United States commenced with the formation of Tamper, for the manufacture and sale of railway track maintenance equipment. This was followed in 1967 with the acquisition of Pacific Press & Shear. In 1970 CANRON acquired Warren Pipe.

The railway track maintenance equipment operations were extended to Europe in 1969 with the purchase of the Swiss company, Matisa Matériel Industriel S.A.

An operating subsidiary of Tamper was established in Australia in 1966.

The company now has 28 plants, with three located in the U.S., three in Europe and one in Australia.

It continues to be CANRON'S policy to seek long-term growth through the introduction of new products and the acquisition of businesses which meet the essential requirements of growth, adequate return on investment and compatibility.

DIRECTORS

| | |
|-------------------------|--|
| *D. W. Ambridge | Honorary Chairman, Abitibi Paper Company Limited, Toronto |
| W. J. Bennett | President, Iron Ore Company of Canada Limited, Montreal |
| † S. R. Blair | President and Chief Executive Officer, The Alberta Gas Trunk Line Company Limited, Calgary |
| R. K. Carty | Executive Vice-President, Canron Limited, Montreal |
| †† P. Côté | President, Laiterie Laval Limitée, Quebec |
| J. S. Dinnick | Chairman of the Board, McLeod, Young, Weir & Co. Ltd., Toronto |
| J. C. Gilmer | President and Chief Executive Officer, Canadian Pacific Air Lines, Limited, Vancouver |
| C. L. Gundy | Chairman, Wood Gundy Limited, Toronto |
| J. D. Houlding | President and Chief Executive Officer, RCA Limited, Ste-Anne de Bellevue |
| J. G. Kirkpatrick, Q.C. | Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault, Montreal |
| H. J. Lang | Chairman and President, Canron Limited, Montreal |
| **J. C. Lessard | President, Standards Council of Canada, Montreal |
| M. W. Mackenzie | Vice-Chairman, Canron Limited, Montreal |
| A. D. McCall | Director, Drummond, McCall & Co. Ltd., Montreal |
| C. Perrault | President, Conseil du Patronat du Québec, Montreal |
| F. H. Sherman | President and Chief Executive Officer, Dominion Foundries and Steel Ltd., Hamilton |

HONORARY DIRECTORS

Ross Clarkson
H. E. McKeen

OFFICERS

| | |
|------------------|------------------------------|
| H. J. Lang | Chairman and President |
| M. W. Mackenzie | Vice-Chairman |
| R. K. Carty | Executive Vice-President |
| P. M. Draper | Vice-President and Secretary |
| W. I. Niles | Vice-President, Finance |
| W. S. Cullens | Group Vice-President |
| F. E. Miller | Group Vice-President |
| C. M. Thomson | Group Vice-President |
| I. C. Ferrier | Vice-President |
| D. J. LaFontaine | Vice-President |
| M. D. Calder | Controller |
| W. D. Moncur | Treasurer |
| A. Y. Mitchell | Assistant Secretary |

*Retired April 7, 1971

**Deceased August 10, 1971

† Elected April 7, 1971

†† Elected November 24, 1971

DIRECTORS' REPORT TO THE SHAREHOLDERS

The consolidated results of Canron Limited and its subsidiaries for the year 1971 showed great improvement over those of the previous year. Sales rose to a record level of \$205 million, but more important was the increase in profits. Reversing a downward trend that has been in evidence since 1967, net earnings of \$4,220,000 in 1971 represented \$1.66 per common share for a return on shareholders' equity of 10.6%. The comparable figures in 1970 were earnings of \$2,533,000, equivalent to 98 cents per common share and a 6.5% return on equity.

Over the past few years important changes have been made in the composition of our business and in our organization structure. We have made a number of acquisitions and have rearranged product lines with emphasis on those that show the best promise. One illustration is the increase in pressure water pipe manufacturing capacities which enabled us to benefit from the resumption of deferred municipal works projects.

Two other important factors affecting the 1971 results were better conditions in the construction industry and the absence of extensive work stoppages through labour disputes. These favourable circumstances were partially offset by a much slower rate of recovery than had been anticipated in other capital goods markets.

In 1971 we paid out \$62 million in wages, salaries and employee benefits to the men and women who make their living through Canron. Other operating costs also increased while selling prices of our products remained virtually unchanged.

Quarterly dividends of 25 cents per common share were distributed in 1971, maintaining the same rate that has been in effect since April 1966. Earnings retained, after covering dividend payments, added 66 cents a share to shareholders' equity.

Capital expenditures for fixed assets amounted to \$2,877,000 during the

year, up slightly from the previous year. We anticipate expenditures in 1972 will increase to modernize production facilities and to continue our program for environmental protection.

We reported to the press on November 19th that negotiations were in progress for the sale of our Electrical Division. These negotiations terminated late in December 1971 when the prospective purchaser introduced unacceptable modifications to the original proposal.

Two large structural steel contracts carried over from previous years were completed in 1971. This was the major contribution to a reduction in the backlog of unfinished work on hand at year end to \$69 million, a drop of \$19 million during the year. This situation occurs frequently in the construction industry and should not be viewed as an indication of a deterioration of business conditions. With reasonably optimistic prospects for a satisfactory volume of new orders, the current sales forecast for 1972 is only slightly below the level for last year.

Mr. W. Niles, after a number of years with a large diversified United States corporation, returned to Canada to join our company and was appointed Vice-President, Finance on June 1, 1971.

In compliance with the company's retirement policy, Mr. D. W. Ambridge, after serving with distinction as a member of our Board of Directors for sixteen years, was ineligible for re-election at the annual meeting in April 1971. This vacancy was filled by the election of Mr. S. R. Blair of Calgary, President of The Alberta Gas Trunk Line Company Limited.

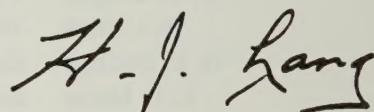
It is with regret that we record the untimely death on August 10, 1971 of Mr. J. C. Lessard which terminated his membership on the Board after only fifteen months of service. Mr. Pierre Côté of Quebec City, President of Laiterie Laval Limitée, joined the Board on November 24, 1971 replacing Mr. Lessard.

Mr. R. K. Carty, Executive Vice-President, has been on sick leave since last November and is unable to continue as a Director of the company. With his detailed knowledge of all the activities of the company, Mr. Carty has made an outstanding contribution during the past seventeen years.

Mr. C. S. Malone was elected a Director as a replacement for Mr. Carty at the Board meeting on February 23rd, 1972. At the same meeting it was recorded that Mr. Malone had tendered his resignation as President of Celanese Canada Limited and he was elected President and Chief Operating Officer of Canron Limited to be effective April 1, 1972. Mr. H. J. Lang, the Chairman of the Board, will continue as Chief Executive Officer.

So that its activities will prosper with the benefits afforded through the private enterprise system, Canron endeavours to provide a high quality of service to its customers, good conditions of employment for its personnel and a reasonable rate of return to its shareholders, along with a constant recognition of public responsibility. The extent to which we meet these objectives is due largely to the efficient and conscientious efforts of our employees. To them a most hearty vote of thanks for what has been accomplished in 1971.

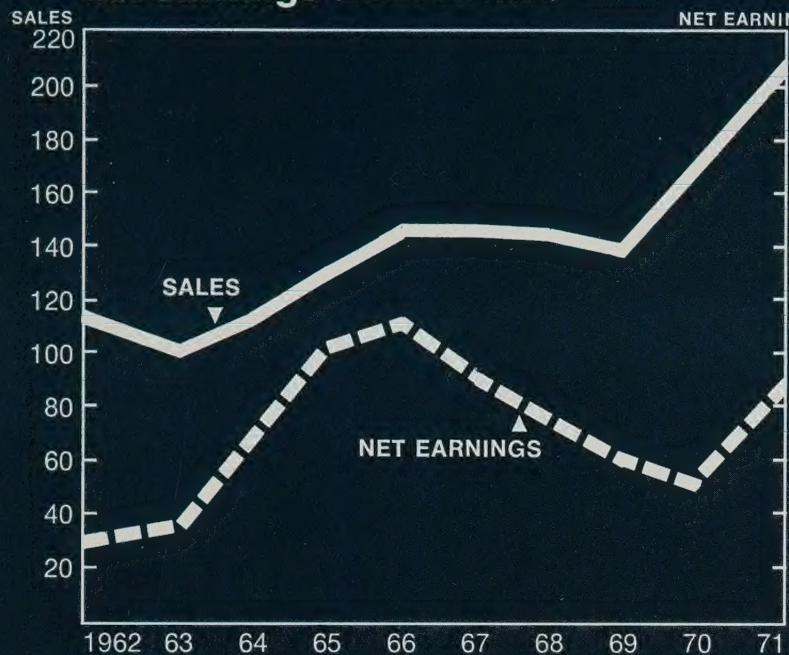
On behalf of the Board,



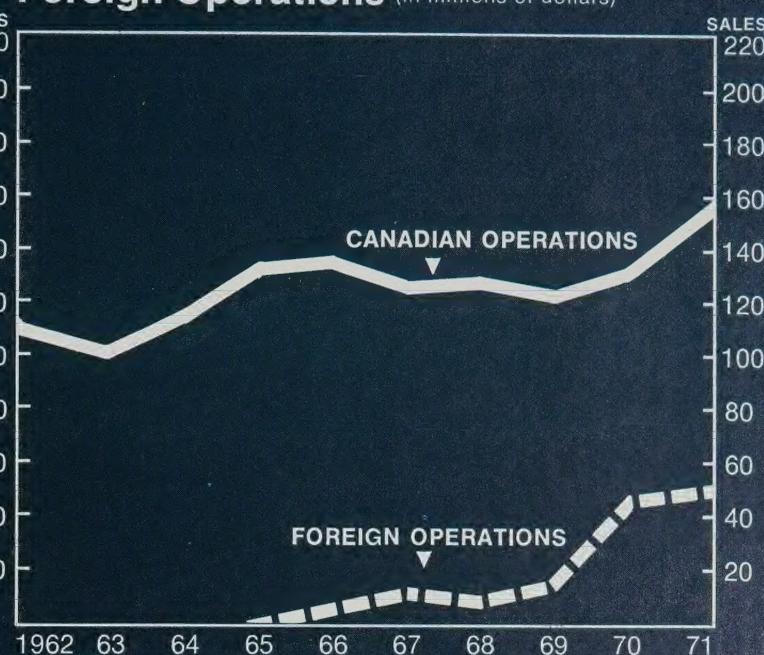
Chairman and President.

Montreal, Que.,
March 15, 1972

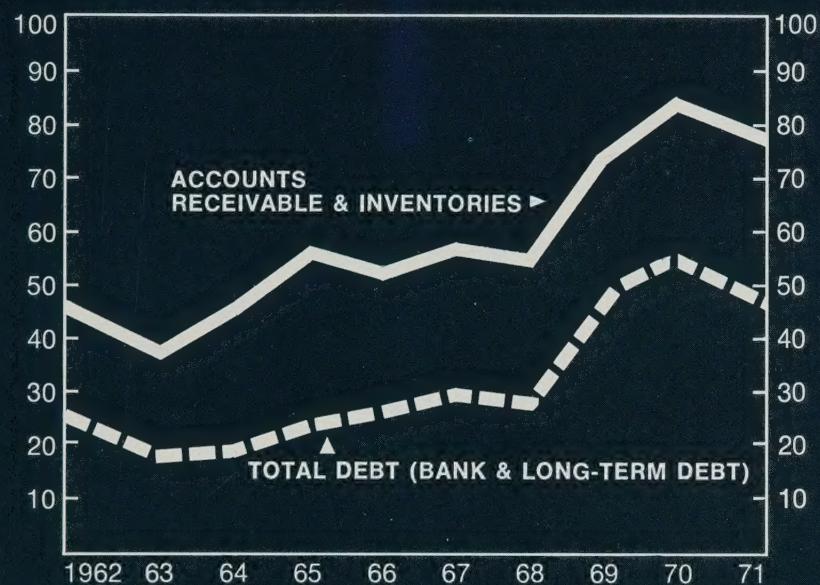
Sales and net earnings (in millions of dollars)



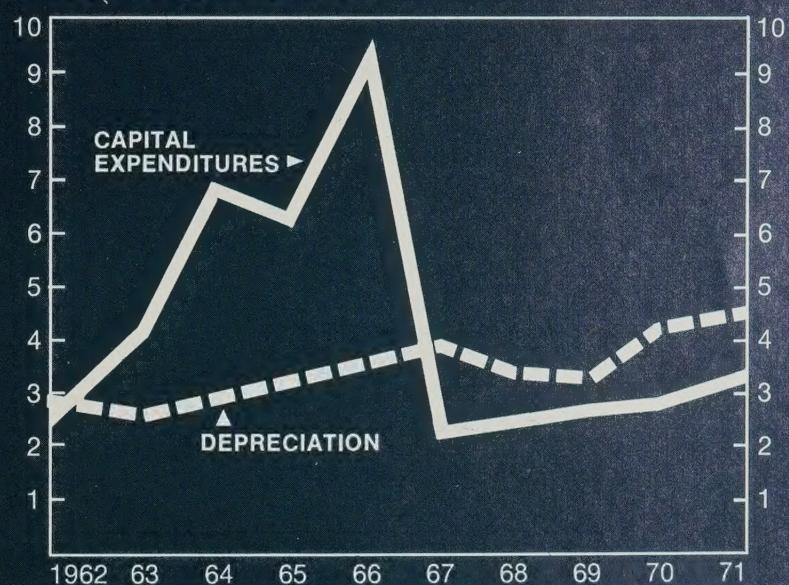
Sales by Canadian and Foreign Operations (in millions of dollars)



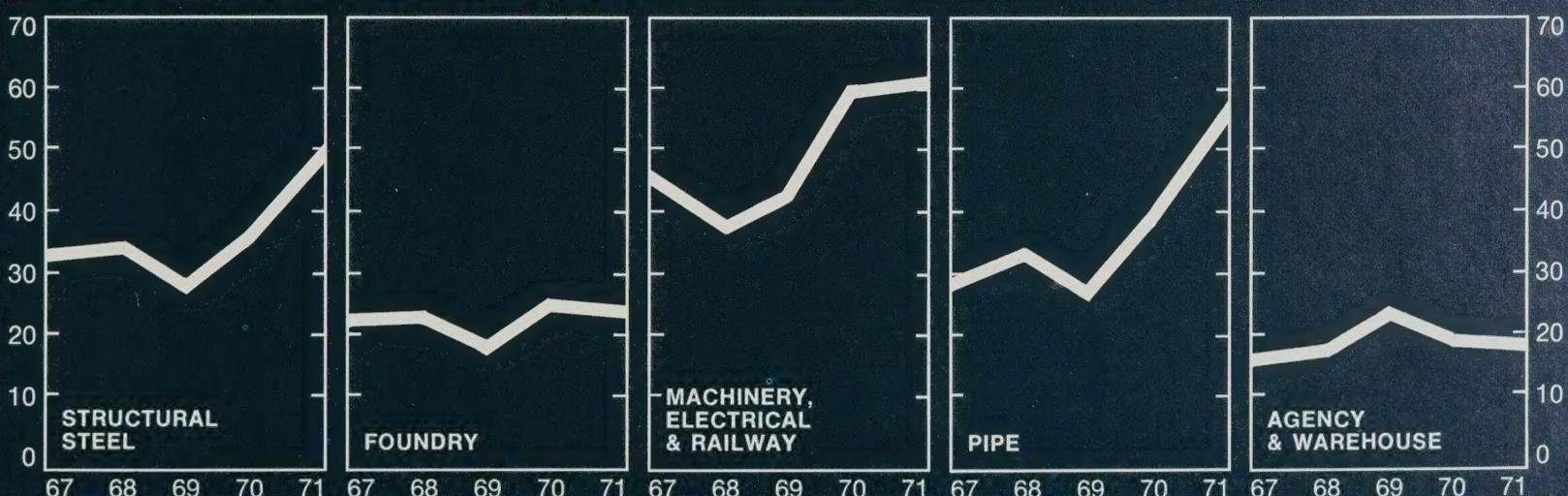
Accounts receivable, inventories and total debt (in millions of dollars)



Capital expenditures and depreciation (in millions of dollars)



Sales by product classification (in millions of dollars)



FINANCE

The comments which follow are intended to highlight and to supplement the information provided in the financial statements.

SALES

1971 — \$205,248,000.
1970 — \$176,698,000.

Sales for 1971 were up \$28,550,000 or 16% over the previous year. This increase came primarily from the pipe and structural steel operations. Sales of the Warren Pipe Division were for the full year 1971 compared with eight months in 1970.

NET EARNINGS

1971 — \$4,220,000.
1970 — \$2,533,000.

The \$1,687,000 increase in net earnings represents a 67% improvement over 1970. Net earnings as a percent of sales increased to 2.1% for 1971, from 1.4% in 1970. Improved gross margins were a significant factor.

Interest costs were down \$812,000 from last year, reflecting the reduction in average borrowings and lower short-term interest rates. The company's average interest rate for the year 1971 was 6.7% compared with 8.4% for 1970.

The effective tax rates for 1971 and 1970 were 43% and 44% respectively. This change resulted mainly from the dropping of the Canadian income tax surcharge and an increased portion of earnings from foreign operations which were subject to lower rates of income taxes.

DIVIDENDS

1971 — \$2,569,000.
1970 — \$2,574,000.

Dividends in 1971 on the 4 1/4 % preferred shares totalled \$79,000. This is

a reduction of \$5,000 from the previous year resulting from 1971 purchases of 1,091 preferred shares on the open market.

The common share dividend was maintained at an annual rate of one dollar per share, representing a payout of 60% of the year's net earnings.

WORKING CAPITAL

1971 — \$24,464,000.
1970 — \$23,795,000.

The working capital increased \$669,000 during 1971.

Receivables and inventories together totalled \$76,108,000 at year-end, compared with \$80,897,000 at the end of 1970. This improvement reflects the company's efforts in maintaining effective control of investment in these important assets.

Short-term bank loans totalled \$19,772,000 at the end of 1971, a reduction of \$3,376,000 during the year.

The current portion of deferred income tax has been reported for the first time as a current liability. The change in presentation was made to clarify the nature of this particular liability, in accordance with generally accepted accounting procedures.

FIXED ASSETS AND DEPRECIATION

Capital expenditures in 1971 for plant and equipment less proceeds on disposals totalled \$2,877,000, slightly higher than \$2,767,000 in the previous year. Depreciation booked was \$4,371,000 compared to \$4,134,000 in 1970.

The sale of 12 acres of surplus real estate at Everett, Massachusetts, which was mentioned in our 1970 annual report, was not consummated because of difficulties with municipal zoning regulations. This property is still sur-

plus to the company's requirements and will be sold when a suitable opportunity arises.

LONG-TERM DEBT (excluding amounts due within one year)

1971 — \$24,554,000.
1970 — \$27,405,000.

All categories of the company's long-term debt were reduced during 1971 through scheduled instalment payments of debenture sinking funds, mortgages and term bank loans.

The company purchased its debentures on the open market at favourable prices during 1971 to satisfy the full amount of the sinking fund requirements.

VALUATION DAY STOCK PRICES

In accordance with the capital gains tax provisions of the new Canadian income tax laws, the Valuation Day values prescribed by the Department of National Revenue for Canron Limited shares were as follows:

| | |
|------------------------------------|---------|
| Common shares | \$19.38 |
| 4 1/4 % Preferred shares | \$70.00 |

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31, 1971

| | 1971 | 1970 |
|--|------------------------|------------------------|
| | (Thousands of dollars) | (Thousands of dollars) |
| SALES (note 2) | <u>\$205,248</u> | <u>\$176,698</u> |
| COSTS AND EXPENSES | | |
| Cost of sales | 175,454 | 150,466 |
| Selling and administrative | 18,550 | 16,734 |
| Interest | 3,840 | 4,652 |
| | <u>197,844</u> | <u>171,852</u> |
| | 7,404 | 4,846 |
| INCOME TAXES | 3,184 | 2,133 |
| EARNINGS BEFORE EXTRAORDINARY ITEM | <u>4,220</u> | <u>2,713</u> |
| EXTRAORDINARY ITEM (note 7) | — | (180) |
| NET EARNINGS FOR THE YEAR | <u>\$ 4,220</u> | <u>\$ 2,533</u> |
| EARNINGS PER COMMON SHARE | | |
| Earnings before extraordinary item | <u>\$ 1.66</u> | <u>\$ 1.05</u> |
| Net earnings for the year | <u>\$ 1.66</u> | <u>\$ 0.98</u> |

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1971

| | | |
|---------------------------------------|------------------|------------------|
| BALANCE — BEGINNING OF YEAR | \$ 28,927 | \$ 28,968 |
| Net earnings for the year | 4,220 | 2,533 |
| | <u>33,147</u> | <u>31,501</u> |
| Dividends — | | |
| On 4 1/4 % preferred shares | 79 | 84 |
| On common shares | 2,490 | 2,490 |
| | <u>2,569</u> | <u>2,574</u> |
| BALANCE — END OF YEAR | <u>\$ 30,578</u> | <u>\$ 28,927</u> |

CONSOLIDATED BALANCE SHEET

as at December 31, 1971



| ASSETS | 1971 | 1970 |
|---|------------|------------|
| (Thousands of dollars) | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,354 | \$ 1,088 |
| Accounts receivable | 38,518 | 38,452 |
| Inventories (note 3) | 37,590 | 42,445 |
| Prepaid expenses | 715 | 531 |
| TOTAL CURRENT ASSETS | 78,177 | 82,516 |
| FIXED ASSETS (note 4) | | |
| Property, plant and equipment — at cost | 90,160 | 88,392 |
| Accumulated depreciation | 50,667 | 47,405 |
| | 39,493 | 40,987 |
| OTHER ASSETS | | |
| Long-term accounts receivable | 2,119 | 2,048 |
| Patents — at cost, less amortization | 1,863 | 2,098 |
| Unamortized debenture discount | 357 | 390 |
| | 4,339 | 4,536 |
| Signed on behalf of the Board | | |
| H. J. Lang, Director | \$122,009 | \$128,039 |
| M. W. Mackenzie, Director | | |

| LIABILITIES | 1971 | 1970 |
|--|------------------|------------------|
| (Thousands of dollars) | | |
| CURRENT LIABILITIES | | |
| Bank advances | \$ 19,772 | \$ 23,148 |
| Accounts payable and accrued liabilities | 26,585 | 28,799 |
| Dividends | 642 | 643 |
| Income taxes — current | 681 | 854 |
| — deferred relating to contracts | 3,182 | 2,487 |
| Long-term debt maturing within one year (note 5) | 2,851 | 2,790 |
| TOTAL CURRENT LIABILITIES | 53,713 | 58,721 |
| DEFERRED INCOME TAXES | 2,800 | 2,513 |
| LONG-TERM DEBT (note 5) | 24,554 | 27,405 |
| SHAREHOLDERS' EQUITY | | |
| PREFERRED SHARES (note 6) | | |
| Authorized — 100,000 preferred shares of \$100 par value | | |
| Issued and fully paid — 18,248 — 4 1/4 % cumulative convertible redeemable preferred shares 1956 series | 1,825 | 1,934 |
| COMMON SHARES | | |
| Authorized — 6,000,000 common shares of no par value | | |
| Issued and fully paid — 2,489,622 common shares | 8,539 | 8,539 |
| RETAINED EARNINGS | 30,578 | 28,927 |
| | 40,942 | 39,400 |
| | \$122,009 | \$128,039 |

See accompanying notes on pages 11 and 12.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended December 31, 1971

| | 1971 | 1970 |
|---|------------------------|------------------|
| | (Thousands of dollars) | |
| SOURCE OF FUNDS | | |
| Net earnings for the year | \$ 4,220 | \$ 2,533 |
| Depreciation and amortization | 4,639 | 4,406 |
| Deferred income taxes | 287 | (297) |
| Provided from operations | 9,146 | 6,642 |
| Increase in long-term debt | — | 8,195 |
| | <u>9,146</u> | <u>14,837</u> |
| USE OF FUNDS | | |
| Fixed assets — | | |
| Additions | 2,877 | 2,767 |
| Additions arising from acquisitions of subsidiaries | — | 7,629 |
| Decrease in long-term debt | 2,851 | 2,790 |
| Dividends | 2,569 | 2,574 |
| Other | 180 | (411) |
| | <u>8,477</u> | <u>15,349</u> |
| INCREASE (DECREASE) IN WORKING CAPITAL | 669 | (512) |
| WORKING CAPITAL — BEGINNING OF YEAR | <u>23,795</u> | <u>24,307</u> |
| WORKING CAPITAL — END OF YEAR | <u>\$ 24,464</u> | <u>\$ 23,795</u> |

See accompanying notes on pages 11 and 12.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 1971

1. Principles of Consolidation

(a) The consolidated financial statements include the accounts of all subsidiaries.

(b) The accounts of foreign subsidiaries have been translated from other currencies as follows:
Current assets and liabilities at rates of exchange at the balance sheet date; long-term assets and liabilities and shareholders' equity at rates of exchange applicable at the time of acquisition or when the debt was incurred; income and expenses other than depreciation and amortization at the average rates of exchange during the year.

2. Product Classification

| | 1971 | 1970 |
|---------------------------------------|-------------|-------------|
| Sales are classified as follows: | | |
| Structural steel | 24% | 18% |
| Foundry | 11% | 13% |
| Machinery, electrical and railway . . | 30% | 34% |
| Pipe | 27% | 23% |
| Agency and warehouse | 8% | 12% |
| | <u>100%</u> | <u>100%</u> |

3. Inventories (Thousands of dollars)

The inventories are valued at the lower of cost or net realizable value and comprise:

| | 1971 | 1970 |
|--------------------------------------|-----------------|-----------------|
| Finished products | \$14,546 | \$13,696 |
| Work-in-process | 21,610 | 35,876 |
| Raw materials and supplies | 18,541 | 16,904 |
| | <u>54,697</u> | <u>66,476</u> |
| Less: Progress billings | <u>17,107</u> | <u>24,031</u> |
| | <u>\$37,590</u> | <u>\$42,445</u> |

4. Property, Plant and Equipment (Thousands of dollars)

| | 1971 | | 1970 | |
|-----------------------------------|-----------------|--------------------------|-----------------|-----------------|
| | Cost | Accumulated Depreciation | Net | Net |
| Land | \$ 4,037 | \$ — | \$ 4,037 | \$ 4,121 |
| Buildings | 29,274 | 14,122 | 15,152 | 16,363 |
| Machinery and equipment | 56,849 | 36,545 | 20,304 | 20,503 |
| | <u>\$90,160</u> | <u>\$50,667</u> | <u>\$39,493</u> | <u>\$40,987</u> |

5. Long-Term Debt (Thousands of dollars)

| | 1971 | 1970 |
|---|-----------------|-----------------|
| Debentures | | |
| 4 1/2 % to 6 3/4 % sinking fund debentures due at various dates to 1987 | \$18,013 | \$18,998 |
| Bank Loans | | |
| Term loans due in equal annual instalments to 1975 | 6,454 | 8,091 |
| Mortgages | | |
| 3 % to 5 3/4 % due at various dates to 1990 | <u>2,938</u> | <u>3,106</u> |
| | <u>\$27,405</u> | <u>\$30,195</u> |
| Maturing within one year | | |
| Long-term | <u>24,554</u> | <u>27,405</u> |
| | <u>\$27,405</u> | <u>\$30,195</u> |

Payments required in the next five years to meet long-term debt requirements and sinking fund provisions are: 1972 – \$2,851; 1973 – \$3,376; 1974 – \$2,718; 1975 – \$2,718; 1976 – \$1,100.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 1971

6. Preferred Shares

During the year, preferred shares of a par value of \$109,100 were redeemed. The retained earnings include an amount of \$2,450,700 which has been set aside as required by the Canada Corporations Act, equal to the par value of the preferred shares redeemed to date.

The conversion privilege of the 4 1/4 % cumulative convertible redeemable preferred shares 1956 series has terminated.

7. Extraordinary Item

The 1970 extraordinary item of \$180,000 represents the loss on foreign exchange due to unpegging of Canadian dollar.

8. Retirement Plans

As at December 31, 1971 there existed a net obligation for past service pension benefits estimated at \$898,000 under various retirement plans of the company and certain subsidiaries. This liability is being funded by annual instalments over 25 years.

9. Statutory Information (Thousands of dollars)

| | 1971 | 1970 |
|--------------------------------------|----------|----------|
| Depreciation | \$ 4,371 | \$ 4,134 |
| Interest on long-term debt | \$ 1,886 | \$ 1,645 |
| Amortization of — patents | \$ 235 | \$ 238 |
| — debenture discount . | \$ 33 | \$ 34 |
| Remuneration of directors | \$ 27 | \$ 29 |
| Remuneration of officers | \$ 730 | \$ 554 |

Number of directors and officers:

| | | |
|--------------------------------------|----|----|
| Directors | 14 | 14 |
| Officers | 12 | 12 |
| Officers who are directors | 3 | 4 |

AUDITORS' REPORT TO THE SHAREHOLDERS

February 9, 1972

To the Shareholders of Canron Limited

We have examined the consolidated balance sheet of Canron Limited and subsidiary companies as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.

Chartered Accountants

TEN-YEAR REVIEW

(Thousands of dollars)



| | 1971 | 1970 | 1969 |
|--|-----------|-----------|-----------|
| Sales | \$205,248 | \$176,698 | \$138,088 |
| Income Taxes | \$ 3,184 | \$ 2,133 | \$ 1,985 |
| Net Earnings | \$ 4,220 | \$ 2,533 | \$ 3,003 |
| Preferred Share Dividends | \$ 79 | \$ 84 | \$ 86 |
| Common Share Dividends | \$ 2,490 | \$ 2,490 | \$ 2,490 |
| Net Earnings as % of Sales | 2.1 | 1.4 | 2.2 |
| Net Earnings as % of Common Shareholders' Equity | 10.6 | 6.5 | 7.8 |
| Earnings per Common Share (dollars) | \$ 1.66 | \$ 0.98 | \$ 1.17 |
| Dividends per Common Share (dollars) | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Cash Flow per Common Share (dollars) | \$ 3.52 | \$ 2.75 | \$ 2.58 |
| Book Value per Common Share (dollars) | \$15.71 | \$15.05 | \$15.07 |
| Working Capital | \$ 24,464 | \$ 23,795 | \$ 24,307 |
| Bank Advances | \$ 19,772 | \$ 23,148 | \$ 21,111 |
| Long-Term Debt | \$ 27,405 | \$ 30,195 | \$ 25,249 |
| Capital Expenditures | \$ 2,877 | \$ 2,767 | \$ 2,801 |
| Depreciation | \$ 4,371 | \$ 4,134 | \$ 3,217 |
| Common Shares Issued | 2,489,622 | 2,489,622 | 2,489,622 |
| Shareholders | 5,061 | 4,847 | 4,926 |
| Employees | 6,114 | 6,655 | 5,197 |

| 1968 | 1967 | 1966 | 1965 | 1964 | 1963 | 1962 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| \$141,042 | \$142,011 | \$142,015 | \$133,867 | \$112,402 | \$100,279 | \$110,009 |
| \$ 3,190 | \$ 4,230 | \$ 5,175 | \$ 5,830 | \$ 3,720 | \$ 1,700 | \$ 1,690 |
| \$ 3,703 | \$ 4,402 | \$ 5,428 | \$ 5,183 | \$ 3,536 | \$ 1,897 | \$ 1,642 |
| \$ 94 | \$ 108 | \$ 121 | \$ 144 | \$ 162 | \$ 182 | \$ 182 |
| \$ 2,490 | \$ 2,490 | \$ 2,454 | \$ 1,729 | \$ 1,114 | \$ 810 | \$ 810 |
| 2.6 | 3.1 | 3.8 | 3.9 | 3.2 | 1.9 | 1.5 |
| 9.7 | 11.8 | 15.4 | 16.4 | 12.6 | 6.6 | 6.2 |
| \$ 1.45 | \$ 1.72 | \$ 2.13 | \$ 2.06 | \$ 1.38 | \$ 0.70 | \$0.60 |
| \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 0.58 | \$ 0.42 | \$ 0.33 | \$0.33 |
| \$ 2.90 | \$ 3.46 | \$ 3.59 | \$ 3.41 | \$ 2.56 | \$ 1.65 | \$1.67 |
| \$14.89 | \$14.47 | \$13.79 | \$12.58 | \$10.95 | \$10.04 | \$9.67 |
| \$ 29,643 | \$ 31,790 | \$ 12,823 | \$ 16,288 | \$ 13,317 | \$ 16,514 | \$ 17,639 |
| \$ 3,406 | \$ 4,711 | \$ 19,679 | \$ 16,819 | \$ 11,038 | \$ 8,678 | \$ 14,172 |
| \$ 22,811 | \$ 23,459 | \$ 4,945 | \$ 5,592 | \$ 7,937 | \$ 8,782 | \$ 9,627 |
| \$ 2,601 | \$ 2,109 | \$ 9,668 | \$ 6,096 | \$ 6,876 | \$ 4,003 | \$ 2,339 |
| \$ 3,324 | \$ 4,108 | \$ 3,637 | \$ 3,292 | \$ 2,874 | \$ 2,290 | \$ 2,586 |
| 2,489,622 | 2,489,622 | 2,489,622 | 2,441,622 | 2,435,622 | 2,429,622 | 2,429,622 |
| 5,072 | 5,318 | 5,329 | 4,430 | 4,404 | 5,062 | 5,231 |
| 5,181 | 5,224 | 5,607 | 5,261 | 4,240 | 4,210 | 4,725 |

OPERATIONS PIPE PRODUCTS



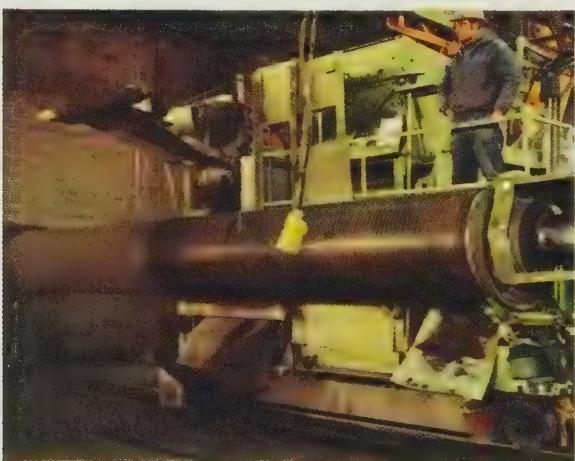
Canron is Canada's largest manufacturer of pipe for the transmission and distribution of water. Cast iron pipe has been a principal product since the company was established, but over the years the line has been extended to include ductile iron pipe, reinforced and prestressed concrete pipe, plastic pipe, and a full range of pipe fittings.

Thousands of miles of Canron pipe ranging in diameter from a few inches to over seven feet, carry water to municipalities and industries everywhere in Canada.

1971 was a highly successful year for the pipe group. In the aggregate, sales of all pipe products accounted for about one quarter of total Canron sales.

Demand for large diameter concrete water pipe continued at a high level. Diameters up to 90" were supplied for large projects in Hamilton, Montreal and Saint John.

2.



3.



New modern equipment and improvements to existing machines have enabled us to achieve high volume production of large diameter prestressed pipe.

Significant export orders for ductile iron pipe were received for projects in San Salvador, St. Lucia, Jamaica, Dominica and St. Vincent.

The new Canron fire hydrant, with its streamlined appearance and new technical features, has received an enthusiastic response from Canadian municipalities.



1. Extracting spun-cast iron pipe.
2. Coating lined and wrapped core with cement.
3. New Canron fire hydrants.
4. Pipe stockyard at Trois-Rivières.

1.

4.



8.



6.



7.



9.

5. Underground installation of plastic pipe ducting.
6. "Straub" hydraulic pipe coupling.
7. Custom-made concrete pressure pipe fittings.
8. Large diameter concrete pressure pipe installation in Montreal.
9. Concrete pressure pipe installation at Brampton.

Warren Pipe expects improved water pipe sales despite some uncertainty about government economic controls. A million dollar contract for cast iron pipe in Long Island was completed in December. Sales of ductile iron pipe are showing steady growth.

Air and water pollution abatement equipment has been installed at all of the iron pipe plants.

Cannon has manufactured and marketed plastic pipe in Canada since 1965. In many residential, industrial and municipal applications it is making significant inroads on traditional materials, with consequent gains in our market participation. Additional capacity is planned during 1972 to take full advantage of growth opportunities.

During 1971 we were awarded contracts to supply public utilities with electrical ducting, and contracts were signed with plumbing and hardware cooperatives to increase our participation in the drain, waste and vent, and sewer markets.

It has been a productive year for the pipe products group, and they enter 1972 with a healthy backlog of orders.

OPERATIONS RAILWAY TRACK MAINTENANCE EQUIPMENT



1.

This fully international operation makes Canon one of the world's major designers and manufacturers of railway track maintenance equipment with 6 plants located in Canada, the U.S., Switzerland, Italy and Australia.

Our products comprise a comprehensive line of highly specialized equipment for mechanized railway track maintenance, ranging from automatic ballast tampers through switch tampers, brush cutters and snow blowers to sophisticated track recording cars.

Tamper experienced a disappointing year in the U.S. Due to a combination of economic conditions, rail workers' strikes, the east and west coast dock strikes and the shutdown of coal mines, sales were down substantially.

2.



3.



1. Ballast regulator with hopper wagon.
2. Tamping ballast under rail cross-ties.
3. Inspecting tamping unit.
4. Partial view of a tamper production line.
5. View from inside operator's cabin.

5.

Export sales were 10 percent over those of 1970, with orders from Brazil, the Dominican Republic, Mexico and Czechoslovakia.

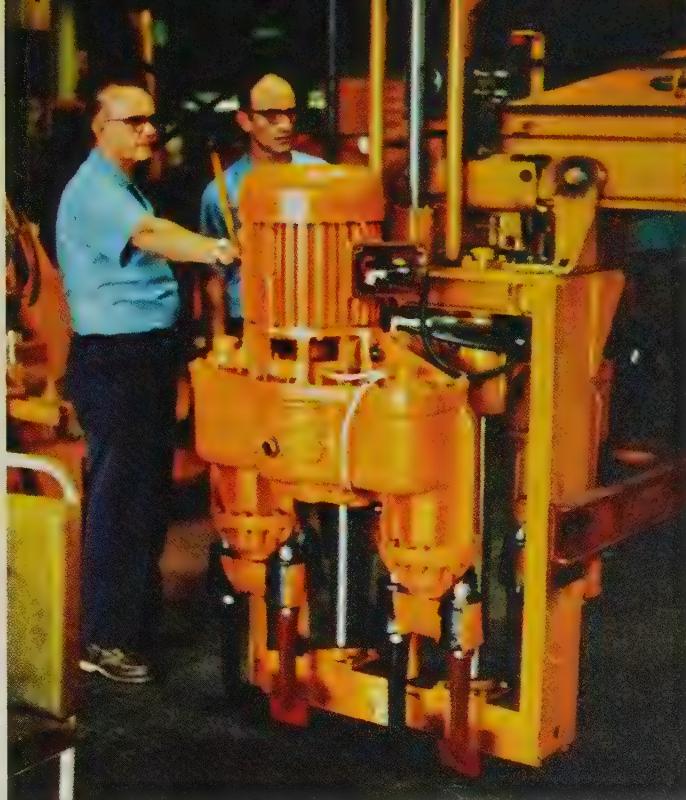
Manufacturing facilities were enlarged in Australia and a contract to rebuild several hundred miles of track on the Western Australia Government Railways will continue through 1972.

Although prospects for immediate improvement in the United States market are uncertain, the long term prospects are considered to be very good. New safety standards set by the U.S. Federal Railway Administration will require U.S. railroads to make heavy investment in track maintenance equipment.

Matisa attained its sales and earnings objectives in 1971 in the face of rising production costs, international currency revaluations and an acute shortage of skilled labour in Switzerland.

As in the past, the bulk of Matisa's business was export. We strengthened our market position in a number of foreign markets. Our exhibit at the Brno Fair in Czechoslovakia led to additional sales of Matisa and Tamper equipment to east European countries.

7.



6.



Important advances in track maintenance technology were made during the year. A number of newly developed machines were demonstrated to railway customers, and resulting orders were excellent.

The year-end backlog of orders remained at a satisfactory level and expansion of Matisa's markets in Europe, South America and Asia should result in an increase of sales in 1972.

8.



6. Workheads for automatic ballast tampers.
7. Electromatic tamper with liner, at work.
8. Pre-assembled components of tamping units.
9. Track maintenance machines ready for shipment.

9.

OPERATIONS FOUNDRY PRODUCTS

1.



Foundry operations, Canron's original business, is still an important part of our activities. Our products are gray and ductile iron castings, specialized alloy castings, ingot moulds, subway tunnel liners, and grinding media and mill liners for the mining industry.

Total 1971 foundry sales exceeded those in 1970, although our domestic sales did not reach projected levels and the 10 percent surcharge curtailed sales to the U.S.

To counter competitive pressures in the grinding media market, two new lines were set up at the Wabi Plant in New Liskeard to produce abrasion-resistant Ni Hard alloy billets. Initial acceptance has been good and we anticipate a continuing demand.

4.



1. Molten metal being poured from cupola to large ladle.
2. Part of brake shoe casting line at St. Thomas.
3. Preparing flasks for ingot mould production.
4. Production of tunnel liner segments at Hamilton.
5. Cast iron ingot moulds.



Two new drying ovens were installed at the Hamilton ingot mould foundry during 1971 to give greater dimensional stability and better surface finish to ingot mould castings. This improved capability should enable us to secure a larger share of the market in 1972.

The high sales volume of cast iron railway car brake-shoes may fall off slightly in 1972. However, increased sales of castings for use in the waterworks industry indicate a satisfactory year for Foundry operations.

During 1971 the St. Thomas foundry received a citation from the city in recognition of its efficient air pollution control system. Our pollution abatement program will have been completed at all five of the iron-melting furnaces by the end of 1972.

3.



5.



OPERATIONS ELECTRICAL PRODUCTS



1.

The Electrical Division's product lines include electric motors from $\frac{1}{8}$ to 5,000 H.P., generators, alternators, variable speed drive systems and traction equipment.

Canron electrical equipment is used in paper mills, mines, steel plants, refineries and atomic power plants all across Canada. "Tamper" electric motors are at work in laundry equipment, heating and air conditioning systems and sump pumps in thousands of Canadian homes.



2.



3.



4.

Shipments for 1971 were at a satisfactory level due to a large backlog carried into the year. The general decrease in capital spending by industry, and increasing competition from abroad resulted in a decline in orders for the year and a reduced year-end backlog.



5.

During the year we concluded licensing agreements with two companies in France for the manufacture and sale of traction motors and controls in Canada and the U.S. The increasing demands for improved urban transportation throughout North America, and the predicted general upturn in the Canadian and U.S. economy presents a more favourable sales outlook. A program of retooling and product modification to reduce manufacturing costs will further enhance our competitive position.

1. Wound stators for clothes dryer motors on a production line at Napanee plant.
2. Heavy duty industrial electrical equipment being prepared for shipment.
3. Fractional H.P. electric motors.
4. Section of a production line at Lachine plant.
5. Assembling armature for large motor.

OPERATIONS STRUCTURAL STEEL

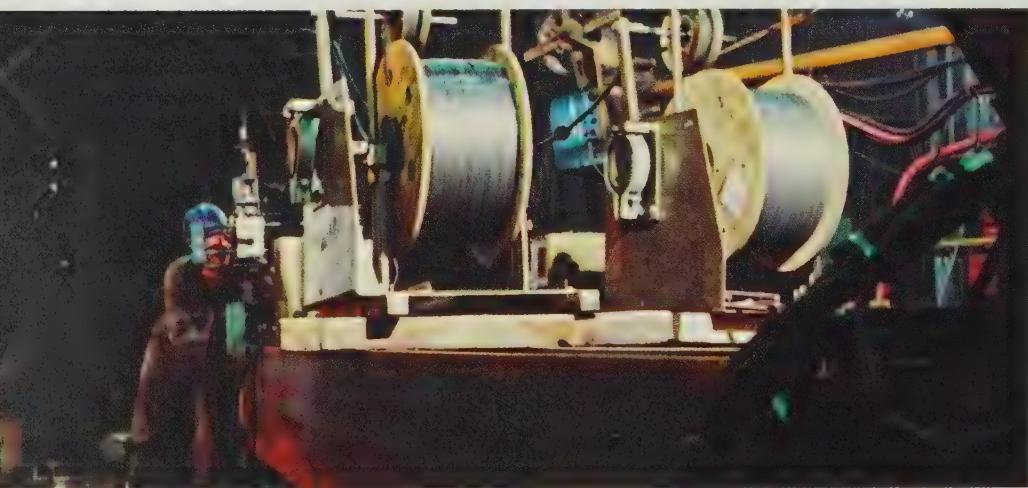


1.

Canron's structural group activities encompass the supply and erection of steelwork for industrial and commercial construction ranging from warehouses to skyscrapers. We serve the transportation industry with the design and construction of bridges, interchanges and container-handling equipment. In the communications field, Canron projects include microwave relay towers, radio masts and TV towers.



2.



3.



5.

The structural group's record sales in 1971 accounted for about one quarter of Canron's consolidated sales. But this group, too, felt the impact of the economic uncertainties in 1971. The large volume was partly accounted for by contracts received in the two previous years.

1971 saw the completion of the 57-storey Commerce Court West contract in Toronto, a joint venture that spanned a year and a half and involved 33,000 tons of structural steel. Projects nearing completion include structural steel for a Sidbec steel mill near Montreal and an extension to the Iron Ore Company's ore concentrator plant at Labrador City and steel work for four bridges for the relocation of the Welland Canal section of the St. Lawrence Seaway.

1. On-site welding at large government building.
2. Tandem arc welding process.
3. Primary support structure for cyclotron.
4. 57-storey Commerce Court West.
5. Main bay assembly area, Rexdale plant.

A successful joint venture bid was made to supply and erect 44,000 tons of steel for Ontario Hydro's Bruce generating station. Erection of steel has started and the work will continue into 1975.

Eastern Structural Division was also active in export markets. Contracts for a new large hotel and an office building in Bermuda, and a bridge in the Cameroons were completed during the year. The \$4½ million contract for the Niagara Falls, N.Y. Convention Center is well under way and an order for a power station in Botswana is nearing completion.



6.

Western Bridge Division also had a busy year despite a slowdown of orders from primary industry. Major projects included the support structure for the massive TRIUMF cyclotron on the University of British Columbia campus, the doors for the new Boeing 747 hangar at Vancouver International Airport, and the second of two modern container cranes for the Port of Halifax. Some 3,000 tons of processing vessels were fabricated for Weyerhauser Canada Limited. The 1,700 tons of approach spans for the Mission Bridge were completed and fabrication was begun on the 3,000 ton main span.

The contract obtained in 1970 for 22,000 tons of structural steel for a highway interchange system in Fremont, Oregon was completed in 1971.

The Structural Group anticipates satisfactory results in 1972, although both divisions began the year with a relatively low backlog of orders. The prospects of a healthier economic climate by mid-year should bring about an upswing in domestic sales. The lifting of restrictive legislation in the U.S. coupled with further penetration of international markets should bolster export sales.

6. Container crane at Halifax terminal.

7. Systems modular construction building, Sheridan Park, Ont.

8. Preparing steel beam for in-plant fabrication.

9. Peace River Bridge, Alberta.

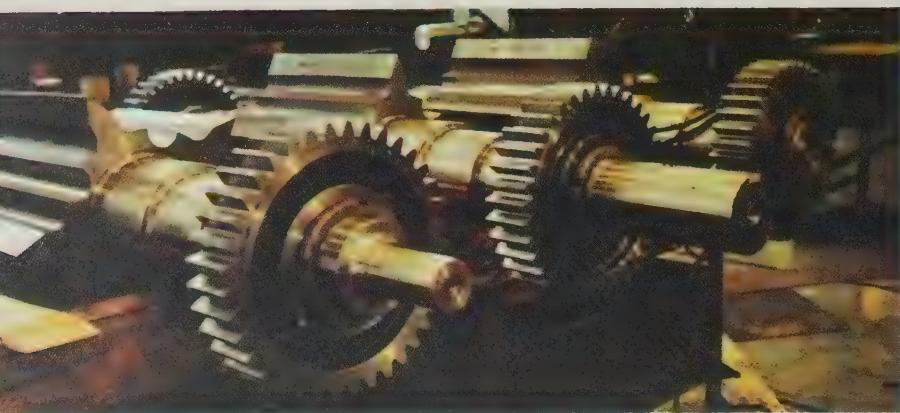
10. Part of arch truss for Convention Centre, Niagara Falls, N.Y.



10.

9.

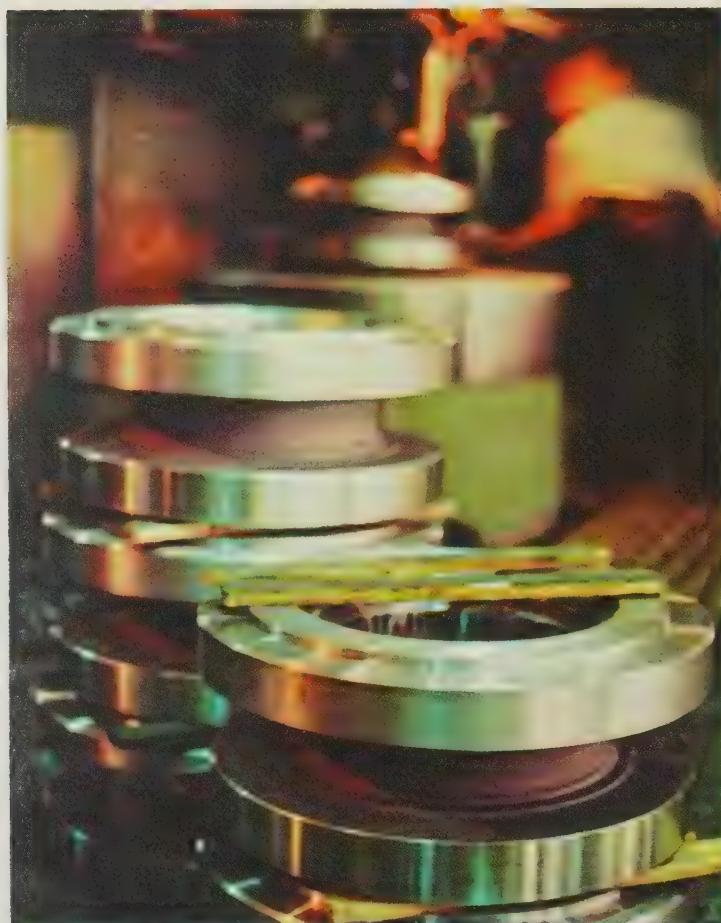
OPERATIONS MACHINERY AND MECHANICAL



1.



3.



2.



4.

1. Precision-machined parts for pulp and paper machinery.
2. Machined parts for gate valves.
3. Bleach washer drum for pulp and paper industry.
4. "Pacific" hydraulic plate shear.

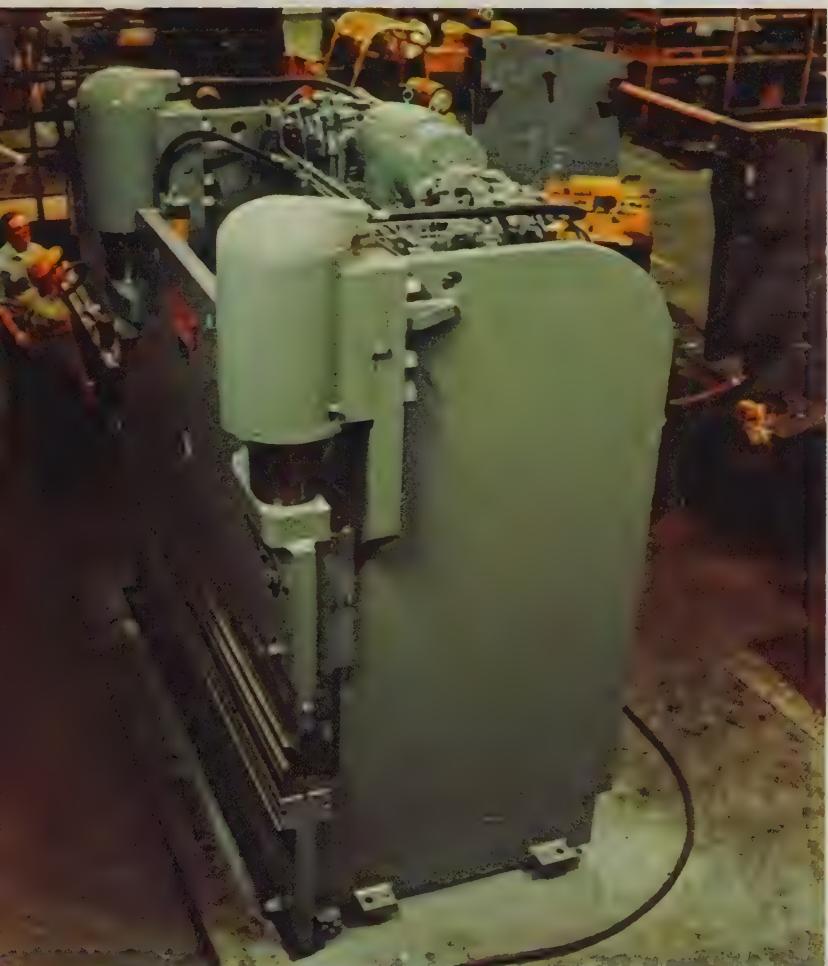
Sales in the Mechanical Division were at a satisfactory level in 1971 although order bookings declined. Two contracts of interest completed during the year, each valued at approximately two million dollars, were a finishing line for a large Canadian steel mill and bleach plant equipment for a new west coast pulp mill. In the latter part of the year, the division was awarded large orders for pulp processing machinery for export to New Zealand and the U.S.

The Mechanical Division began 1972 with a relatively low backlog of orders. However, a number of oil and natural gas companies are currently planning major pipeline projects and prospects are extremely promising for increased sales of our valves for 1972 and beyond.

Pacific Press & Shear was inevitably affected by the depressed condition of the machine tool industry and sales dipped to the lowest point since 1963, but orders picked up significantly in the last quarter of the year.

Pacific has been very active in new product development. A good portion of the current sales are of products introduced during the past three years. Customer acceptance of new models has been excellent.

5.



7



8



To strengthen our sales position in Europe, a licensing agreement has been made with Ateliers Heuze, Malevez & Simon Reunis, S.A., in Belgium. The contract covers the manufacture and sale of Pacific products for the European Common Market. We expect that economic measures designed to stimulate capital investment will materially increase the sales volume of our U.S. subsidiary in 1972.

6.



9.

OPERATIONS SALES AGENCY

Railway & Power Engineering Corporation, Limited, a wholly-owned subsidiary with warehouses and sales offices across Canada, distributes the products of a large number of Canadian, U.S. and European manufacturers.

Its product lines range from industrial materials, equipment and supplies to sophisticated instrumentation and fluid system components.

2.



1.



3.



4.

The slow pace of business in Canada during 1971 resulted in a drop in sales from the preceding year. The aerospace industry has been static, and increased competition is making itself felt in the transportation products market, although sales of steel products improved slightly.

The latter part of the year saw increased activity in most product categories, and 1972 began with the highest backlog in several years.

1. Calvert bus duct assembly area at Toronto.

2. Railway & Power's Toronto sales office.

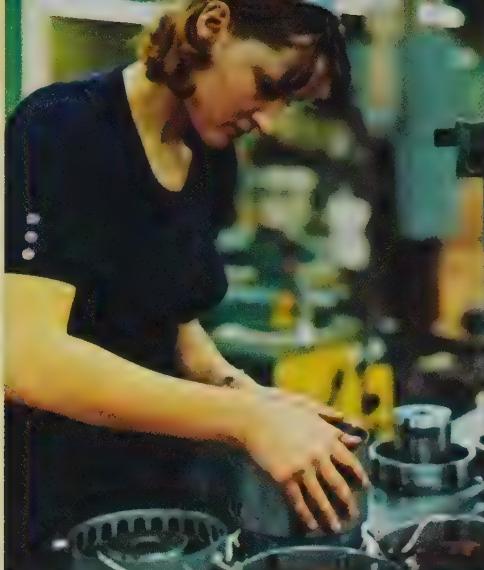
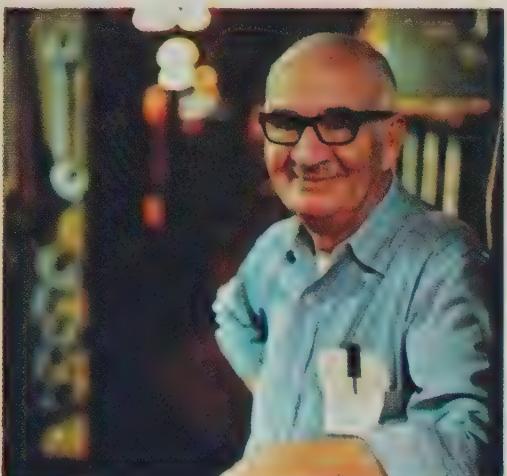
3. Pump unit and rams ready for shipment from warehouse.

4. Stocks of stainless steel tubes, bars and rods.

OPERATIONS PERSONNEL

Ten collective agreements, nine for two-year terms and one for a three-year term, were concluded in 1971. The cost of resolving wage and employee benefit issues was substantial, averaging 8 percent per year. Two strikes of short duration occurred, one at Western Bridge Division, the other at Pacific Press & Shear Company, before settlements were reached.

Safety committee activities and the implementation of appropriate safety measures continue to prove effective in reducing the incidence of industrial accidents.

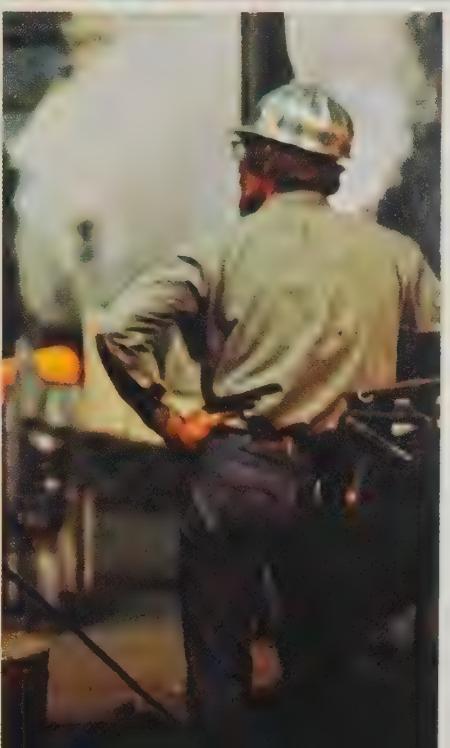


Training and development programs, with special emphasis on the areas of supervision and management were again carried out in 1971.

Revisions to the retirement plan for the company's Canadian operations became effective January 1, 1972.

54 employees retired in 1971, bringing the total number of employees receiving pension payments to 557. In addition, 27 widows of Canron employees are receiving benefits under the retirement plan.

Organizational changes during the year included the appointment of I. C. Ferrier as General Manager, Electrical Division, and N. Dickinson as General Manager, Eastern Structural Division.



DIVISIONS, SUBSIDIARIES AND PRODUCTS

EASTERN STRUCTURAL DIVISION

N. Dickinson, General Manager
Main Office: 100 Disco Road, Rexdale, Ont.
Offices: Lachine, Ottawa, Rexdale
Plants: Ottawa, Rexdale

Structural Steel for
Buildings & Bridges
(fabrication & erection)
Steel Joists
Warehouse Steel
Towers
Hydraulic Gates
Bulk Loading Terminals

Container Cranes
Gantry Cranes
Conveyor Systems
Microwave Structures
Tanks and Plate Work
Shipping Containers
Galvanizing

WESTERN BRIDGE DIVISION

H. L. Warner, General Manager
Main Office: 145 West First Avenue, Vancouver, B.C.
Office & Plant: Vancouver

ELECTRICAL DIVISION

I. C. Ferrier, General Manager
Main Office: 160 St. Joseph Blvd., Lachine, Que.
Offices: Lachine, Toronto
Plants: Lachine, Napanee

Alternators
Electric Motors
Generators D.C.
Traction Equipment

Variable Speed Drive Systems

FOUNDRY DIVISION

J. M. Gandy, General Manager
Main Office: 169 Eastern Ave., Toronto 2, Ont.
Offices: Toronto, Hamilton, New Liskeard
Plants: Hamilton (2), St. Thomas, Toronto, New Liskeard, Cobalt

Ingot Moulds
Industrial Wheels
Tunnel Liners
Gray Iron Castings
Grinding Balls
Grinding Billets
Mill Liners

Mine Cars
Mine Cages & Skips
Municipal Castings
Alloy Iron Castings —
Ductile Iron, Domite CM
Ni-Resist, Ductile Ni-Resist
Ni-Hard, High Chrome Alloy

MECHANICAL DIVISION

D. J. LaFontaine, General Manager
Main Office: 160 St. Joseph Blvd., Lachine, Que.
Offices: Lachine, Rexdale, Calgary, Edmonton, Vancouver
Plant: Trois-Rivières

Steel Mill Machinery
Pulp & Paper Mill Machinery
Rubber & Plastics Machinery

Custom Machinery
Speed Reducers & Increasers
Gear Units
Valves

PIPE DIVISION

J. G. Dunlop, General Manager
Main Office: 10350 Ray Lawson Blvd., Ville d'Anjou, Que.
Offices: Dartmouth, Saint John, Ville d'Anjou, Quebec City, Ottawa, London, Sudbury, Toronto, Vancouver
Plants: Ville d'Anjou, Trois-Rivières, Toronto, Rexdale, London

Gray Iron Pipe
Ductile Iron Pipe
Concrete Pressure Pipe
Hydraulic Pipe Couplings

Fittings
Hydrants
Sluice Gates

PLASTIC PIPE DIVISION

R. A. St. Louis, General Manager
Main Office: 10350 Ray Lawson Blvd., Ville d'Anjou, Que.
Offices: Berthierville, Rexdale, Ville d'Anjou
Plants: Berthierville, Rexdale, St. Jacques

Plastic Pipe
(PVC, ABS and polyethylene)

Fittings

**WARREN PIPE DIVISION**

A. G. Hyde, General Manager

Main Office: 183 Sitgreaves St., Phillipsburg, N.J.

Offices: Phillipsburg, N.J.; Boston, Mass.

Plant: Phillipsburg, N.J.

Gray Iron Pipe
Ductile Iron Pipe

Fittings

MATISA MÉTIERL INDUSTRIEL S.A.

R. Piaget, President

Main Office: Arc-en-Ciel 2, Crissier, Switzerland

Offices: Crissier, Switzerland; Bielefeld, West Germany;
Palomba, Italy; Bedford, England

Plants: Crissier, Renens, Switzerland; Palomba, Italy

Fully Automatic Ballast
Tampers
Power Tamping Jacks
Track Liners & Switches
Switch Tampers
Spike Pullers & Drivers
Cross-tie Renewers
Rail Bolters, Drills &
Lubricators
Snow Blowers
Ballast Cleaners, Regulators
Ramming Machines
Track Laying & Lifting
Equipment

Rail Welding &
Reconditioning Equipment
Track Recording Cars
Push & Motor Cars
Brush Cutters
Rail Saws

TAMPER

J. K. Stewart, President

Main Office: 2401 Edmund Road, West Columbia, S.C. 29169

Offices: Columbia, S.C.; Lachine, Que.; Melbourne,
Australia

Plants: Columbia, S.C.; Lachine, Que.; Melbourne,
Australia

PACIFIC PRESS & SHEAR COMPANY

E. W. Pearson, President

Main Office: 421 Pendleton Way, Oakland, Calif. 94621

Offices: Mount Carmel, Ill.; Oakland, Calif.

Plant: Mount Carmel, Ill.

Hydraulic Press Brakes
Hydraulic Shears

Hydraulic Presses

RAILWAY & POWER ENGINEERING CORPORATION, LTD.

R. J. Conrath, Vice-President and General Manager

Main Office: 3745 St. James St. W., Montreal 207, Que.

Offices: New Glasgow, Quebec City, Montreal,
Trois-Rivières, Ottawa, Toronto, Hamilton, Sarnia,
Sault Ste. Marie, Winnipeg, Edmonton, Calgary,
Vancouver

Warehouses: New Glasgow, Montreal, Toronto, Hamilton,
Winnipeg, Edmonton, Vancouver

Rail, Truck, Bus &
Aviation Products
Stainless Steels
Instrumentation &
Electronic Products
Hydraulic & Pneumatic
Products
Vibration Absorbers

Materials Handling Equipment
Valves
Plastics
Trackwork & Related Supplies
Air Moving & Conditioning
Equipment





MAR 18 1971

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of Canron Limited will be held on Wednesday, April 7, 1971, in Salon Viger, Château Champlain Hotel, Montreal, Quebec, at 11:00 A.M. for the purpose of:

- (1) receiving the 1970 consolidated financial statements and the auditors' report thereon;
- (2) electing directors;
- (3) appointing auditors; and
- (4) transacting such other business as may properly come before the Meeting.

BY ORDER OF THE BOARD,

P. M. DRAPER

Secretary

MONTREAL, Que., March 15, 1971.

(It is important that your shares be represented at the Meeting. If you are unable to attend, please sign and return the accompanying form of proxy promptly.)

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation by the management of Canron Limited ("the Company") of proxies for use at the Annual General Meeting of Shareholders ("the Meeting") to be held on April 7, 1971. The expenses of the solicitation will be borne by the Company.

APPOINTMENT OF PROXY

A shareholder has the right to appoint a proxy to represent him at the Meeting other than the persons whose names are printed as proxies in the accompanying form of proxy, by striking out the said printed names and by inserting the name of his chosen proxy in the blank space provided for that purpose.

REVOCABILITY OF PROXY

A shareholder who signs and returns the accompanying form of proxy may revoke it by notice in writing to the Company at any time before it is voted.

VOTING SHARES

As of March 15, 1971, there are outstanding 2,489,622 common shares without nominal or par value of the Company. Each common shareholder is entitled to one vote at the Meeting for each common share registered in his name on the date of the Meeting.

ELECTION OF DIRECTORS

The Board of Directors consists of fourteen directors who are elected annually at the Annual General Meeting of Shareholders. Each director holds office until the election of his successor unless he resigns or his office becomes vacant by death, removal or other cause, in accordance with the By-laws of the Company.

The persons named in the accompanying form of proxy intend to vote at the Meeting for the election of the nominees whose names appear below. The management of the Company does not contemplate that any of the nominees will be unable, or for any reason will become unwilling, to serve as a director but, if that should occur for any reason prior to the election, the persons named in the accompanying form of proxy reserve the right to vote for another nominee in their discretion.

| <u>Nominees for Directors and Principal Occupation</u> | <u>Date became Director of Company</u> | <u>Approximate number of Common Shares of the Company beneficially owned, directly or indirectly, as of March 15, 1971</u> |
|---|--|--|
| William J. Bennett, President, Iron Ore Company of Canada, Iron ore producer. | February 23, 1967 | 50 |
| S. Robert Blair, President and Chief Executive Officer, The Alberta Gas Trunk Line Company Limited, Gas transmission. | — | 100 |
| R. Kenneth Carty, Executive Vice-President of the Company. | December 31, 1967 | 100 |

| <u>Nominees for Directors and Principal Occupation</u> | <u>Date became Director of Company</u> | <u>Approximate number of Common Shares of the Company beneficially owned, directly or indirectly, as of March 15, 1971</u> |
|---|--|--|
| John S. Dinnick, Chairman of the Board, McLeod, Young, Weir & Company Limited, Investment dealers. | November 24, 1964 | 300 |
| John C. Gilmer, President and Chief Executive Officer, Canadian Pacific Air Lines, Limited, Air transportation. | May 21, 1969 | 50 |
| Charles L. Gundy, Chairman, Wood Gundy Securities Limited, Investment dealers. | December 29, 1950 | 800 |
| John D. Houlding, President and Chief Executive Officer, RCA Limited, Electronics manufacturer. | February 24, 1971 | 250 |
| John G. Kirkpatrick, Q.C. Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault Advocates. | April 21, 1959 | 1,050 |
| Howard J. Lang, Chairman and President of the Company. | July 21, 1960 | 29,295 |
| Jean-Claude Lessard, President, Standards Council of Canada, Government agency. | April 8, 1970 | 100 |
| Maxwell W. Mackenzie, Vice-Chairman of the Company. | April 17, 1961 | 1,000 |
| Alan D. McCall, Chairman of the Board, Drummond, McCall & Co. Limited, Metal distributor. | April 18, 1940 | 3,000 |
| Charles Perrault, President, Conseil du Patronat du Québec, Federation. | April 8, 1970 | 20 |
| Frank H. Sherman, President and Chief Executive Officer, Dominion Foundries & Steel Ltd., Steel manufacturer | February 23, 1967 | 100 |

During the previous five years, Mr. Blair has been Executive Vice-President of The Alberta Gas Trunk Line Company Limited, Vice-President and President of Alberta and Southern Gas Co. Ltd.; Mr. Houlding has been President and Chief Executive Officer of RCA Limited.

REMUNERATION OF DIRECTORS AND OFFICERS

During the year ended December 31, 1970, (a) the aggregate direct remuneration paid or payable by the Company and its subsidiaries to directors of the Company, as such, was \$29,000, and to officers, as such, was \$454,000; and (b) no pension benefits are proposed to be paid to directors of the Company, as such, by the Company or its subsidiaries, and the estimated aggregate cost of all pension benefits proposed to be paid by the Company and its subsidiaries to officers, as such, in the event of retirement at normal retirement age was \$100,000. Pursuant to agreements with two of its officers, the Company proposes to pay (a) to one of them in each year up to a maximum of eight years while he remains in the employ of the Company an amount of at least \$100,000 and in each year following termination of such employment during his lifetime a sum, which will vary with the date of termination, up to a maximum of the difference between \$50,000 and the aggregate of the payments to him in such year under the normal retirement or pension plans of the Company and its subsidiaries and (b) to the other, following his retirement in 1972, an allowance of a value at that date of \$120,000. For several years the Company has paid incentive compensation to directors, officers and employees of the Company based on the performance of the Company during the preceding year and the respective contributions by such officers and employees to such performance. The basis of such incentive compensation is reviewed annually and there is no commitment by the Company extending beyond the year in respect of which such review is made. No amount has been specifically set aside or accrued in respect of future payments nor has the basis of future payments to directors and officers been determined.

APPOINTMENT OF AUDITORS

McDonald, Currie & Co., chartered accountants, are the auditors of the Company and the persons named in the accompanying form of proxy intend to vote for their reappointment.

OTHER MATTERS

The management of the Company is not aware of any amendments or variations to the matters identified in the Notice of the Meeting or of any other matters which may come before the Meeting. However, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on any amendments or variations or other matters which properly come before the Meeting in accordance with their best judgment.

Dated at Montreal, Quebec, March 15, 1971.

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CANRON

INTERIM REPORT

SIX MONTHS ENDED JUNE 30, 1971

To the Shareholders:

Canron's net earnings for the first six months of 1971 increased significantly over the corresponding period last year while sales volume was slightly higher. The improved earnings are mainly the result of a more favourable sales mix and the absence of several abnormal business conditions which adversely affected 1970 earnings.

During the period, sales of pressure water pipe increased reflecting a strengthening of the domestic market and the inclusion of Warren Pipe for the full period compared with only two months in the first half of last year. Railway equipment and electrical sales remained at about the same level as last year while structural steel shipments were slightly down. Orders for machinery and equipment continue to be slow in materializing and the situation appears unlikely to improve in the second half of this year.

The current order backlog of \$98 million is up from the beginning of the year but is expected to fall off before year-end with the completion of some large contracts. However, it is anticipated that 1971 sales will be higher than last year's and there are encouraging prospects that the improvement in earnings will continue.

During the past few months we have been negotiating the sale of a small structural steel fabricating operation in Edmonton, Alberta, and negotiations have reached the stage of drafting a final agreement. This transaction is not expected to result in any significant gain or loss.



Montreal, Que.
July 27, 1971

H. J. Lang
Chairman and President

**Consolidated Financial Summary
Six Months Ended June 30**

(in thousands of dollars)

JUL 29 1971

| | STATEMENT OF EARNINGS | 1971 | 1970 |
|--------------------|------------------------------|-------------|-------------|
| Sales | \$87,698 | \$85,263 | |
| Costs and expenses | 84,489 | 82,798 | |
| | 3,209 | 2,465 | |
| Income taxes | 1,450 | 1,133 | |
| Net earnings | \$1,759 | \$1,332 | |
| Per common share | \$0.69 | \$0.52 | |

**SOURCE AND APPLICATION
OF FUNDS**
Funds Provided:

| | | |
|-------------------------------|----------------|---------|
| Net earnings | \$1,759 | \$1,332 |
| Depreciation and amortization | 2,531 | 2,328 |
| | 4,290 | 3,660 |

Funds Applied:

| | | |
|---------------------------|--------------|--------|
| Fixed assets | | |
| — additions (net) | 1,849 | 908 |
| — acquisitions | — | 7,435 |
| Funded debt — current | 1,055 | 656 |
| Preferred shares redeemed | 44 | 9 |
| Dividends | 1,284 | 1,284 |
| | 4,232 | 10,292 |

Working Capital

| | | |
|---------------------------|-----------------|-----------|
| — increase (decrease) | \$58 | \$(6,632) |
| Working Capital — June 30 | \$26,340 | \$20,465 |

(Subject to audit and year-end adjustment)